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Tobacco companies slash demand, take profit from surplus

• Farmers face financial strain amid limited storage, low prices • Firms cut purchases by 23m kgs in four years

By Muqaddam Khan

SWABI: Tobacco purchasing companies have slashed their demand for the 2026 crop by 13.183 million kgs, marking the fourth consecutive year of reduced requirements. This cutback is expected to result in significant financial losses for local tobacco farmers, sources told Dawn on Saturday.

Tobacco experts noted that while multinational and national firms have the capacity to store large quantities of tobacco, growers face major challenges due to limited financial resources and storage options. The inability to store crops like Virginia and White Patta tobacco means any surplus must be sold quickly, leaving growers at the mercy of fluctuating market demand.

For 2026, the total demand from tobacco companies is set at 61.627m kg, with 58.184m kg of flue-cured Virginia (FCV) tobacco, 0.360m kg of dark air-cured tobacco, 1.342m kg of White Patta, 1.381m kg of burley, and 0.360m kg of sun-cured tobacco.

This marks a significant reduction from previous years, with companies cutting their demand by 23.873m kg over the past four years. In 2023, total demand was 85.5m kg, which fell to 77.322m kg in 2024, 74.810m kg in 2025, and will drop to 61.627m kg in 2026.

The bulk of tobacco purchases is made by multinational companies, with a smaller portion allocated to national companies and smaller tobacco entrepreneurs. Among multinational firms, Pakistan Tobacco Company (PTC) and Philip Morris (Pakistan) Ltd are the largest buyers, with a combined demand of over 36m kg of FCV tobacco in 2026. The remaining FCV demand will be met by 78 national companies, including Khyber Tobacco.

Shift in tobacco requirements

The Pakistan Tobacco Board (PTB) has noted that while demand for FCV, dark air-cured, and sun-cured tobacco has decreased in 2026, demand for White Patta and burley tobacco has increased slightly. FCV tobacco remains the primary focus for both multinational and national companies, given its use in cigarette manufacturing and export.

Iqbal Shewa, a prominent tobacco grower, stressed that both multinational and national companies are primarily concerned with FCV tobacco for export and cigarette production. To avoid confusion during the purchasing season, PTB has instructed tobacco companies and landowners to formalise agreements for the upcoming year and share those agreements with the board. Farmers have been advised to grow tobacco in line with these agreements to avoid complications during the buying season.

Price discrepancies and low profit

Ayaz Khan, a former PTB director, explained that companies are reducing their demand for the 2026 crop in part because of the price discrepancy between the weighted average price (WAP) and the minimum indicative price (MIP). The WAP for the current year was set at Rs 719 per kg, while the MIP for surplus tobacco was set at Rs 545 per kg. Companies, Mr Khan said, profited from purchasing surplus tobacco at the MIP, which was Rs174.8 less than the WAP, resulting in significant savings for them but at the expense of the growers. This year's surplus tobacco amounted to 35.35m kg, which allowed companies to profit by Rs6.17 billion, a windfall that was not shared with the farmers.

In contrast, the farmers have faced significant losses. The lower purchase prices have put them in a difficult financial position, with many reliant on tobacco cultivation for their annual income.

Surging exports

Despite the reduced demand for domestic consumption, tobacco exports have seen a marked increase. In the 2023-24, Pakistan exported 20m kg of tobacco, rising to 47m kg in 2024-25, an increase of 135pc year-on-year. However, despite this rise in exports, companies have kept their domestic purchase demand low to avoid paying higher prices for surplus tobacco.

Mr Khan also pointed out that the increased exports have not led to corresponding benefits for local growers. Instead, the companies' strategy of reducing domestic purchases and capitalising on cheaper surplus tobacco has disproportionately benefited the tobacco industry, while the farmers and government have borne the brunt of the financial losses.

The ongoing reduction in tobacco demand by purchasing companies is creating a challenging environment for tobacco growers, who face severe financial losses due to lower prices and limited storage options. While companies continue to benefit from price discrepancies and increased exports, farmers remain the biggest losers in this equation.

Imports of car assembly kits surge 123pc

Demand rising for local and imported second-hand vehicles

By Aamir Shafaat Khan

KARACHI: The country's imports of new and used vehicles, along with auto parts for local assembly, are competing closely as consumers show enthusiasm for both used cars and locally manufactured vehicles.

As per data of the Pakistan Bureau of Statistics (PBS), import of semi and completely knocked down kits (SKD/SKD) by the local assemblers jumped by 123 per cent year-on-year (YoY) to $628 million in 4MFY26.

Similarly, the import of completely built-up (CBU) new and used cars also rose by 31pc to $113m in 4MFY26 from $86m in the same period last year.

The Pakistan Association of Automotive Parts and Accessories Manufacturers (PAAPAM) ran a costly media campaign during Pakistan's Auto Parts Show (PAPS) 2025, held at the Expo Centre early this month, by alarming that $5 billion investment, 1,200 factories and 2.5 million jobs would soon be extinct due to the import of used cars. The association added that used car imports are a crime on wheels, as hawala, hundi, and hidden money are slowly killing Pakistan.

Local assemblers have also been chanting the same slogan, claiming that the market share of used cars reached 25-30pc, up from less than 10pc a few years back.

This is a strange phenomenon where both used cars and locally assembled vehicles are in high demand. This situation counteracts the claim made by assemblers and vendors that used cars have significantly impacted their sales.

Market leaders offer different views, with some saying that the high SKD/CKD imports by the car assemblers point to low localisation, especially in new models introduced by the old players. Others believe that the ballooning import bill for parts and accessories is due to the Auto Policy 2021-2026, under which new entrants were lured to assemble vehicles with negligible local parts content, thereby pushing up the import bill for parts and accessories.

From FY21 to 4MFY26, the total SKD/CKD import bill has reached $6bn, while CBU imports in the above period are less than $1.5bn. However, the localisation content in Japanese locally assembled vehicles hovers between 35-73pc, while localisation in Korean and Chinese models ranges between 10-35pc.

"It seems that SKD/CKD imports consume more foreign exchange per car than CBU imports," an assembler commented.

Another assembler pointed out that the auto market is recovering from a prolonged downturn and returning towards normal demand levels.

Additionally, new models launched by both old and new entrants have expanded customers' choices, thereby boosting sales volumes.

At the same time, many new entrants are offering new electric vehicles as CBU under a much lower EV duty regime, which, along with higher used-vehicle imports, has further lifted overall volumes, he said, adding that all assemblers are pushing harder to secure market share.

Rising auto leasing of small, locally assembled, and used cars, driven by low interest rates, has also boosted consumers' confidence.

WORKERS assemble smartphones at a factory in Karachi.—Courtesy Inovi Telecom

Govt asked to cut taxes ahead of 5G rollout

• Only 5pc phones 5G-ready as PM sets Feb deadline for auction • PTA warns heavy taxation could slow adoption • Makers say 40pc of users still rely on feature phones

By Kalbe Ali

ISLAMABAD: The expected launch of 5G services next year is set to transform several auxiliary features available on mobile phones, but the telecom regulator wants the government to first reduce taxes on telecom sector raw materials to ensure a smooth rollout.

The prime minister has given the Ministry of Information Technology and Telecom and the Pakistan Telecommunication Authority (PTA) a February 2026 deadline to auction the 5G spectrum, a move that is also expected to boost mobile-based services.

PTA data shows the country has 196 million mobile subscribers, including 148m mobile broadband users.

The shift to 5G-compatible phones is expected to introduce new features such as e-SIMs, NFC-based e-banking through barcodes that promote nano-banking, and wireless charging.

This will largely be driven by manufacturers adopting advanced chipsets and processors required for 5G.

Currently, fewer than five per cent of all phones in Pakistan are 5G-enabled. The PTA has advised the IT ministry to take steps to increase the availability of compatible devices ahead of the formal launch.

Responding to a question, retired Brig Amer Shahzad, the PTA director general, said manufacturers must prepare in advance so consumers have suitable devices when 5G becomes available. "If the cost of 5G-compatible sets is very high, users will not opt for them," he added.

According to the Pakistan Mobile Phone Manufacturers Association (PMPMA), around 40pc of mobile users still rely on feature phones, while nearly 10pc of the population does not own any phone at all.

The association's figures show monthly production of 1.2m smartphones and 1.5m feature phones, adding up to about 30m locally manufactured devices annually.

Zeeshan Miannoor of Inovi Telecom, a senior PMPMA member, said the additional cost of advanced chipsets and processors needed for 5G phones will range between 30 and 200 dollars depending on the model, as production shifts from 4G to 5G.

"Other features like cameras and speakers will remain the same, but the upgraded motherboard containing the chipset and processor will enable capabilities such as e-SIMs and wireless charging," he said. He also warned that higher costs could deter consumers from upgrading.

The telecom regulator has likewise pointed out that high mobile phone prices, mainly due to heavy taxation, are a major obstacle to higher connectivity and data usage. It has stressed the need to expand smartphone adoption.

The PTA has recommended reducing taxes on backend materials used by the telecom sector, including duties of around 19.5pc on imported components for mobile phone manufacturing, as well as taxes on backend equipment required by telecom operators.

According to the authority, lowering or removing these taxes would boost mobile penetration and internet usage, which in turn would generate higher government revenues through the expansion of digital services.

Why do companies delist in Pakistan?

By Fatima S. Attarwala

KARACHI: Shield's baby feeders are a common household essential for many families. Considering Pakistan's high population growth rate, one might expect the business to be thriving. However, recently, Shield Corporation has decided to delist, joining the ranks of companies like Gillette and Philip Morris.

In the 1980s, Pakistan offered a 5 per cent tax advantage to firms that listed on the stock exchange, explains Ali Farid Khwaja, CEO of Oxford Frontier Capital and Co-founder and Chairman of KTrade. That incentive drew dozens of family-owned textile mills and others to the PSX.

That incentive no longer exists. Once the tax break went away, many firms had little interest in public shareholders. They quietly bought back shares, shrank the free float, and continued operating like private family businesses. This explains why many listed companies today have negligible trading volumes.

Some delist simply because public ownership is insignificant. Philip Morris fits partly into this category: its free float was 5pc, small enough to make the listing meaningless while still inviting regulatory scrutiny.

"When you're listed, you become transparent. If you delist, these requirements go away," says Asad Ali Shah, former managing partner of Deloitte. Being listed increases visibility, reporting obligations, and tax scrutiny. It also limits the ability to operate in the "grey zones" common in Pakistan's largely undocumented economy and can make competition harder when non-listed peers are less constrained.

Multinationals often prefer to book profits in lower-tax jurisdictions. Listing complicates this because shareholders can question intercompany transactions, import pricing, margins, and royalties. Pakistan's regulatory apparatus does not meaningfully oversee transfer pricing. "Not a single transfer pricing case has been pursued to conclusion," notes Mr Shah. Through transfer pricing, profits can be kept in low-tax jurisdictions while the local listed entity shows thin margins or even losses, he explains. Those losses can then be carried forward for years as tax shields. Once listed, all this becomes visible.

Listing also helps families manage inheritance across generations. "For large family groups with multiple sub-families, a listed structure makes it easier to distribute wealth while keeping the business intact," notes Mr Khwaja.

Sayyid Babar Ali writes about this in his autobiography, Mr Khwaja points out. In family-driven businesses, listing provides liquidity, inheritance planning, and the ability to monetise a small portion of shares without giving up control.

Being part of a family business holding shares in a listed company can also generate windfalls. Even selling a tiny fraction of shares at a high price brings cash, and when prices fall, you can buy back. Notices on the PSX often show independent directors, family members, mothers, sisters, and aunts selling small percentages and buying them back. Some families also strategically let prices fall and rise again to maximise returns.

Delisting is expensive. Public shareholders must be bought out at a premium, sometimes many multiples of the share price. Pak Suzuki Motors' stock illustrates this: from around Rs100 before its delisting notice in April 2023, it shot to Rs900 on January 11 2025. Eventually, Suzuki Japan set a minimum share price at Rs406, but the PSX ultimately fixed the buyback at Rs609. Similarly, when Gillette's delisting news broke, the stock climbed from Rs212 on October 1 to Rs605 by October 16, before settling at Rs340 by last Friday's close.

M. Farid Alam of AKD Securities adds that delisting also affects price discovery and competitive pressures. In Pakistan, most listed companies are tightly held, with sponsors owning 90-95 per cent of shares, unlike global markets where 10-20pc is often sufficient.If tax rates remain high, more large companies may eventually consider leaving the stock market. Yet delisting is complex and costly, so many companies remain listed by default, even if it is no longer their preference.

Food imports jump to $3bn

By Mubarak Zeb Khan

ISLAMABAD: Pakistan's food import bill soared to $3.075 billion in the first four months of the current fiscal year, marking a sharp 31.38 per cent increase from $2.340bn in the same period last year.

The surge highlights growing reliance on imported food commodities amid domestic production and supply challenges. The increase was primarily driven by higher imports of sugar, edible oil, and tea to meet domestic demand.

According to data released by the Pakistan Bureau of Statistics, palm oil constituted the largest share among imported food items, followed by pulses, tea, soya bean oil and sugar.

Pakistan imported 231,390 metric tonnes of sugar during the first four months of the current fiscal year (4MFY26), marking an unprecedented year-on-year increase of 15,748.63pc compared to just 1,460 metric tonnes in the same period last year.

In terms of value, sugar imports rose to $131.311 million, up from $1.454 million in 4MFY25 — a jump of 8,930pc, according to official data.

The dramatic rise comes in response to the government's decision to allow sugar imports in a bid to address domestic shortages and stabilise market prices. Retail sugar prices have been fluctuating between Rs190 and Rs230 per kg in various cities, prompting authorities to step in and ease supply constraints through imports.

As part of a trade agreement with the United States, Pakistan's import of soyabean oil rose significantly in the first four months of FY26. During July–October (4MFY26), soyabean oil imports value reached $66.108 million, up 12.99pc from $58.509 million recorded in the same period last year.

The surge highlights Pakistan's decision in agreement with the USA to increase reliance on soyabean oil for edible oil needs and the deepening trade engagement with the United States in the agricultural sector.

The value of palm oil imports surged to $1.325bn during July-October FY26, up from $1.024 billion a year ago, reflecting a growth of 29.37 per cent. Despite rising consumption, Pakistan imported pulses worth $255.461m during July-October, compared to $297.800m in the same period last year, a decline of 14.22pc.

The import bill for all other food items rose 53.40pc to $904.584m in the 4MFY26 from $589.681m a year ago. Tea imports decreased by 1.29pc during the reviewed months, to $208.745m from $211.483m.

Equities eke out modest gains amid dearth of triggers

Investors remain cautious on mixed economic data

By Muhammad Kashif

KARACHI: The Pakistan Stock Exchange (PSX) managed modest gains in the outgoing week, reflecting investor caution amid a lack of significant news flow and persistent macroeconomic uncertainties.

The week was marked by mixed economic indicators: a widening current account deficit and stable foreign exchange reserves, while key sectors such as Large-Scale Manufacturing (LSM) and technology exports posted positive growth.

The most notable development was the current account deficit (CAD) for October, which stood at $112 million, reversing from a surplus of $83m in September. The trade deficit for the month reached $3.28 billion, with a cumulative gap of $12.6bn for the first four months of the 2025-26, widening by 38.9pc year-on-year.

Foreign direct investment (FDI) fell by 26 per cent to $747.7m in 4MFY26, compared with $1.01bn in the same period of the previous fiscal year. However, the FDI showed some resilience, with October's inflows reaching $179m, up 23pc YoY despite a slight month-on-month decline.

In other positive news, Pakistan's technology exports hit a record high of $386m in October, up 17pc year-on-year and 5pc month-on-month, reflecting the growing significance of the tech sector in Pakistan's export landscape.

As a result, the KSE 100 index closed at 162,102.92 points, gaining a meagre 168 points. Arif Habib Ltd (AHL) attributed the rise to sector-specific catalysts, particularly the performance of Fauji Fertiliser Company, which benefited from its inclusion in the KMI-30 Index, and Pakistan Petroleum Ltd, which saw increased investor interest due to offshore activities. Pioneer Cement also rallied, buoyed by speculation around potential mergers and acquisitions.

The average daily trading volume for the week stood at 1.05 billion shares, with the average value of Rs37.8bn. Despite these figures, market participation remained relatively subdued, with investors preferring to stay on the sidelines amid broader economic challenges.

Pakistan's banking sector also saw mixed performance. Deposits rose by 13pc year-on-year to Rs35.2 trillion in October, but advances declined by 3.6pc to Rs13.3tr, reflecting a tightening of credit amid economic uncertainty. Meanwhile, the country's power generation declined by 3.7pc year-on-year to 9,886 GWh in October, although costs dropped by 6pc to Rs8.51 per kWh, partly due to falling global crude prices.

In the energy sector, crude oil imports rose by 28.5pc year-on-year to 691,479 tonnes, while petroleum, oil and lubricants imports increased by 30.6pc. Conversely, regasified liquefied natural gas arrivals fell by 11pc year-on-year, and exports of furnace oil surged to 214,000 tonnes.

Looking ahead, market sentiment remains cautiously optimistic. AHL suggests that the KSE 100 index is likely to maintain its positive momentum, particularly if geopolitical tensions ease. The benchmark is currently trading at a price-to-earnings ratio (PER) of 8.18x, slightly below its 15-year average of 8.59x, offering an attractive dividend yield of around 5.9pc.

Analysts at AKD Securities believe investor sentiment is being boosted by expectations of foreign portfolio and direct investment, especially amid improved relations with key international players such as the United States and Saudi Arabia. Furthermore, the most anticipated approval of the country's second review under the Extended Fund Facility and Resilience and Sustainability Fund by the IMF's executive board early next month, which would pave the way for the release of $1.2bn, may provide additional stability.

Challenges persist as the deadlock in peace talks with Afghanistan continues to weigh on market sentiment. Additionally, concerns about governance and corruption remain after the release of the IMF's Governance and Corruption Diagnostic Assessment Report.

Despite ongoing uncertainties, AKD Securities believes the index remains an attractive opportunity for investors due to its relatively low valuations and promising dividend yield. However, the outlook largely hinges on resolving geopolitical issues and effectively implementing economic reforms. As the market processes both positive and negative macroeconomic data, it is expected to remain volatile, although with a generally positive trend in the near term.